

BEFORE THE POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

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POSTAL RATE AND FEE CHANGES

Docket No. R2000-1

REPLY BRIEF OF THE
CONTINUITY SHIPPERS ASSOCIATION

The Continuity Shippers Association submits its reply brief on the rate for the Bulk Parcel Return Service ("BPRS").

A. THE EVIDENCE SUPPORTS BUC'S REDUCTION IN BPRS COSTS

The Postal Service has not rebutted Lawrence G. Buc's testimony on the actual costs for a BPRS parcel.

Collection - 1.2 Cent Reduction: By using window acceptance costs for Standard A parcels as a proxy for BPRS window acceptance costs, the Postal Service double counts weighing and rating costs. Tr. 23/10644. While Standard A parcels brought to the window would require weighing and rating to determine their postage, the same is not true for BPRS parcels because these parcels are weighed and rated in the postage due unit and are therefore already included in the postage due unit costs. Tr. 23/10644. In addition, while the Postal Service agrees that window acceptance costs are not incurred for all BPRS parcels, the Postal Service fails to adjust its window acceptance costs downward to reflect this fact. Tr. 23/10644. For these reasons, the Postal Service's estimate of window acceptance costs is overstated by more than one cent per piece. Tr. 23/10644.

Mail Processing - CRA Adjustment - 6.34 Cent Reduction: In his direct testimony, Mr. Buc proved that the Postal Service should adjust the proxy Special Standard fixed CRA adjustment factor downward to reflect the fact that BPRS parcels are smaller and lighter than Special Standard parcels. Tr. 23/10646-10647. In its initial brief, the Postal Service asserts that such an adjustment would be inappropriate because the "fixed" cost pools are not cube-related or weight-related. USPS Initial Brief at VIII-8. The Postal Service is simply wrong. Mr. Buc's analysis clearly showed that the activities in the fixed costs pools are just as cube-related and weight-related as the activities performed in the proportional cost pools:

The [fixed] cost pools appear to fall into two different categories: those in which costs are expected and those in which they are not.

Activities in the "expected" cost pools, like the SPBS or the pouching pools, should be affected by cube and weight to the same degree that these factors affect "proportional cost pools". Since witness Eggleston confirmed that differences in the cube and weight of BPRS lead to its modeled costs being about 70 percent of the modeled cost of Special Standard B (Tr. 13/5204 (Eggleston)), the "expected" cost pools should similarly have a fixed CRA adjustment that is 70 percent of the Special Standard B fixed CRA adjustment.

Costs for other cost pools in the fixed adjustment cost pools, like the BCS, FSM, or registry are "unexpected". When asked about these apparent anomalies, witness Eggleston responded, "It is my understanding that occasionally costs show up in cost pools where they are unexpected. It is my further understanding that the reason for this is the following. The IOCS handling tallies record the mail actually being handled by the employees recorded as working a given mail processing operation (cost pool), rather than the mail expected to be handled in a given operation." Tr.13/5128 (Eggleston)

Thus, if an employee was clocked into the BCS cost pool, and received a Special Standard B tally, that employee was most likely handling Special Standard mail.

And, if he was actually handling Special Standard B mail, it is much more likely that he was actually handling it in a way that witness Eggleston modeled rather than putting it through a bar code sorter. Tr. 23/10646.

Mail Processing - Intra-BMC v. Inter-BMC - 0.3 Cent Reduction:

The Postal Service estimates that 20 out of every 21 BPRS parcels are inter-BMC parcels on the assumption that all BPRS recipients are national mailers. This estimate is made despite the fact that at least one of the BPRS mailers is not a national mailer. USPS-T-26 at 35-36. Buc's analysis makes a reasonable adjustment to the Postal Service's cost model to incorporate this information. Tr. 23/10647. For the reasons described in our initial brief and because it remains the only model on the record that incorporates this information, Buc's adjustment should be accepted.

Transportation - Zone Distribution - 2.9 Cent Reduction: In his direct testimony, Mr. Buc modified the Postal Service's assumed zone distribution of inter-BMC BPRS parcels to reflect the fact that half of the BPRS recipients and more than half of BPRS volume in the Postal Service's survey are located in areas that will rarely use zones above zone 5. Tr.23/10648. For the reasons described in CSA's initial brief and because Buc's argument remains unrebutted on this point, his adjustment should be accepted by the Commission.

Transportation - Intra-BMC v. Inter-BMC - 0.9 Cent Reduction:

Buc's analysis discussed above results in a reduction in transportation as well.

B. BPRS COSTS ARE 99.2 CENT USING FY 1999 AS THE BASE YEAR

The FY 1999 update had an insignificant impact on BPRS costs, except for mail processing. CSA Initial Brief at 3-4. As discussed in our initial brief, the FY 1999 mail processing data for Special Standard B (on which BPRS mail processing is based) should not be used. The overall impact of using FY 1999 is shown below.

Collection	0.0
Mail Processing	0.9 increase
Transportation	1.7 decrease
Delivery	1.0 increase
Postage Due	0.1 increase
<u>TOTAL</u>	<u>0.3 increase</u>

The evidence supports a unit BPRS attributable cost of 99.2 cents.

C. THE COST COVERAGE SHOULD BE THE SAME AS STANDARD A REGULAR

Standard A parcels do not operationally transform themselves into something else when they are returned. They remain under one pound, receive the same low priority, and use the same ground transportation. In fact, to ensure that Postal Service employees handle these parcels in the same way that they handle Standard A parcels, BPRS labels have the mail class "Standard A" written on them. Tr. 23/10650. The Postal Service, nevertheless, would like to treat BPRS parcels significantly differently than Standard A parcels for the purpose of pricing. CSA Initial Brief at 13. This should not be allowed. Calling something by another name does not change what it is. The outbound and return legs should have the same coverage.

D. CONCLUSION

For the reasons stated herein, and in its initial brief, the Continuity Shippers Association requests a recommendation of \$1.32 per piece for the BPRS rate (without contingency). This consists of \$0.992 in FY 1992 costs and a cost coverage of equal to Standard A Regular of 132.9 percent (or \$0.328 towards institutional costs).

Dated: September 21, 2000

Respectfully Submitted,



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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing brief on all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

Dated: September 21, 2000


Aaron Horowitz